

## ALTERNATIVE INVESTMENT FUNDS (AIFs) A CYPRUS SUCCESS STORY

Cyprus, an EU member state, combines tax efficient features of a modern financial centre with the requisite infrastructure for the fund's industry. It offers the full spectrum of legislative framework to all fund products (UCITS and non UCITS) and provides fund managers to structure as Alternative Investment Fund Managers in line with the relevant EU Directive or a MiFID compliant Investment Firm, both EU passported.

Cyprus costs are on the low side, it is efficient and its investor friendly government authorities with minimum bureaucracy. It has a platform of experienced lawyers, accountants, custodians, fund administrators and fund managers. It has a UK based legal system, independent judiciary, a friendly business environment and offers quality life.

As at the end of 2018, the Cyprus funds industry boasted a total of approximately €6.3bn assets under management displaying significant growth over the past few years. Approximately 48% of these relate to private equity AIFs and 16% to real estate AIFs with the remaining 36% spread evenly in other AIFs.

### **Alternative Investment Funds (AIFs)**

With the enactment of the Alternative Investment Funds Law 124(I)/2018 or the "AIF Law 2018" in July 2018, Cyprus has modernized and significantly enhanced the offering of Alternative Investment Funds, or "non-UCITS", which can be registered and domiciled in Cyprus.

The AIF Law 2018, which replaced the AIF Law of 2014, has introduced the possibility to set up Registered AIFs in Cyprus. It also fine-tuned the other types of AIFs (ie AIFs with Unlimited and AIFs with Limited Number of Persons).

Cyprus possesses the full spectrum of legislative framework to all fund products, both UCITS and non-UCITS, and provides fund promoters and managers various structuring opportunities.

In brief, the AIF Law 2018 allows for the creation of AIFs with Unlimited Number of Persons ("AIF-UNP"), AIFs with Limited Number of Persons ("AIF-LNP") and Registered AIFs ("RAIF").

An AIF can take any of the following legal forms:

- Fixed or Variable Capital Investment Company
- Limited Partnership (with or without a separate legal personality)
- Mutual Fund (not available for AIF-LNP or RAIF)

The main provisions of the AIF Law 2018 can be summarized as follows:

- ability to create AIFs with unlimited investment compartments (ie umbrella funds), each with a separate investment strategy and asset pools
- the units of AIFs can be listed on stock exchanges
- there are various options available in relation to the appointment of an Investment Manager and Depositary, providing maximum flexibility
- investor units are freely transferable
- the AIF-LNP is limited to a maximum of 50 investors
- possibility to create Registered AIFs, which do not require licensing, hence time to market is significantly shortened

During the past few years, the funds industry in Cyprus has experienced significant growth resulting in the island establishing itself as one of the major EU fund jurisdictions. Its strategic geographic position, stable political system, attractive tax system, modernized AIF Law, combined with its EU and eurozone memberships, have served to attract global funds and fund managers alike.

Overall, Cyprus is probably the most flexible and cost-efficient fund jurisdiction in the EU, a member of the European Securities and Markets Authority (ESMA), and additionally boasts a comprehensive funds and related services workforce comprising of some 4,000 qualified lawyers and 5,000 qualified accountants, establishing Cyprus as a prominent player within the EU funds industry.

## Types of AIFs in Cyprus

The AIF Law 2018 provides for two types of Alternative Investment Funds (AIFs), namely AIFs with Unlimited Number of Persons (AIF - UNP) and AIFs with Limited Number of Persons (AIF -LNP). The choice of an AIF has a number of significant advantages:

- no restrictions are imposed by the Regulator regarding the type of investments
- the application process is fairly simple and not time consuming
- subject to the approval of the Regulator, the AIFs can be self-managed
- AIFs can be set-up as umbrella funds with multiple compartments, allowing the management of different asset pools with separate investment policies
- AIF - UNPs can be listed on the Cyprus Stock Exchange and other recognized EU stock exchanges
- no withholding tax on dividend distributions and no taxation of capital gains
- services provided by the Investment Manager of the fund are not subject to VAT
- the “company” legal form of an AIF can take advantage of the double tax treaty
- network of Cyprus
- no onerous ongoing reporting requirements to the Regulator
- low set up and maintenance costs

## ONEWORLD LTD

We are one of the leading corporate and business providers. We bring a depth of experience to our work and dealings with clients. Our personnel consists of chartered accountants, lawyers, financial advisors, tax specialists, administrators, company secretaries and a highly trained and knowledgeable corporate and support staff. There are no typical Oneworld clients. From dynamic young enterprises to global corporations, from high net worth individuals to their families and consultants. We serve them all.

### Our Services

#### Corporate and Trust

Company Formation  
International Structuring  
Fund Administration  
Domiciliary Management  
Registrar and Shareholders

#### Business Advisory

Regulatory Compliance  
Corporate Strategy  
HR Management  
Internal Audit and Review

#### Global Compliance

Risk and Regulatory Compliance  
Bookkeeping and Reporting  
Fund Valuation Services  
HR and Payroll

#### Financial Advisory

Corporate Finance  
Financial Due Diligence  
Mergers and Acquisitions  
Financial Reporting

#### Tax and Legal

International Tax Planning  
Legal Services  
Legal Support

#### Family Office

Asset Management  
Asset Protection  
Investment Advice

## AIFs at a Glance

	AIFs	AIFs with Limited Number of Persons	Registered AIFs
<b>Legal forms</b>	<ul style="list-style-type: none"> <li>• Common fund (CF)</li> <li>• Variable Capital Investment Company (VCIC)</li> <li>• Fixed Capital Investment Company (FCIC)</li> <li>• Limited Partnership with or without legal personality (LP)</li> </ul>	<ul style="list-style-type: none"> <li>• Variable Capital Investment Company (VCIC)</li> <li>• Fixed Capital Investment Company (FCIC)</li> <li>• Limited Partnership with or without legal personality (LP)</li> </ul>	<ul style="list-style-type: none"> <li>• Common Fund (CF)</li> <li>• Fixed Capital Investment company (FCIC)</li> <li>• Variable Capital Investment company (VCIC)</li> <li>• Limited Partnership with or without legal personality (LP)</li> </ul>
<b>Eligible Investors</b>	<ul style="list-style-type: none"> <li>• Professional and/or Well-informed investors or Retail investors</li> </ul>	<ul style="list-style-type: none"> <li>• Professional and/or well informed investors</li> </ul>	<ul style="list-style-type: none"> <li>• Professional and/or well informed investors</li> </ul>
<b>Number of Investors</b>	<ul style="list-style-type: none"> <li>• Unlimited</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 50</li> </ul>	<ul style="list-style-type: none"> <li>• Unlimited</li> </ul>
<b>Minimum Capital Requirement</b>	<ul style="list-style-type: none"> <li>• If self-managed: €125.000</li> <li>• If externally managed: N/A</li> </ul>	<ul style="list-style-type: none"> <li>• If self-managed: €50.000</li> <li>• If externally managed: N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Not subject to Minimum Capital Requirement</li> </ul>
<b>Minimum AUM within 12 months</b>	<ul style="list-style-type: none"> <li>• €500,000</li> </ul>	<ul style="list-style-type: none"> <li>• €250,000</li> </ul>	<ul style="list-style-type: none"> <li>• €500,000</li> </ul>
<b>Fund Management</b>	<ul style="list-style-type: none"> <li>• Can be self-managed (in the case of a company or a limited partnership with separate legal personality) or appoint a fund manager</li> </ul>	<ul style="list-style-type: none"> <li>• Can be self-managed (in the case of a company or a limited partnership with separate legal personality) or appoint a fund manager</li> </ul>	<ul style="list-style-type: none"> <li>• Always appoint a fund manager</li> </ul>
<b>Assets Under Management</b>	<ul style="list-style-type: none"> <li>• No restrictions if AIFM appointed</li> <li>• Up to 100mn including leverage or 500mn with no use of leverage and no redemption rights for 5 years if AIFM is not appointed</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 100mn including leverage or 500 mn with no use of leverage and no redemption rights for 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions if AIFM appointed</li> <li>• Up to 100mn including leverage or 500mn with no use of leverage and no redemption rights for 5 years if AIFM is not appointed</li> </ul>
<b>Depository</b>	<ul style="list-style-type: none"> <li>• Mandatory appointment of a local Depository if managed by an AIFM</li> <li>• Cyprus, EU, or in a third country based if AIFM not appointed</li> </ul>	<ul style="list-style-type: none"> <li>• Cyprus, EU or in a third country based</li> <li>• May be waived if one of the following criteria is met: <ul style="list-style-type: none"> <li>• Total assets of the Fund &lt; 5 mn</li> <li>• Up to 5 investors</li> <li>• No more than 10% of total assets are subject to custody and; investors up to 25 and minimum investment per investor is at least equal to €500.000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Mandatory appointment of a local Depository if managed by an AIFM</li> <li>• Cyprus, EU or in a third country based if AIFM is not appointed</li> </ul>

## Contacts

**Nicosia**  
(Head Office)  
75 Prodromou Avenue  
Oneworld House  
PO Box 25207  
Nicosia 1307, Cyprus  
T +357 22496000  
F +357 22493000  
reception@oneworldweb.net

**Limassol**  
79 Spyros Kyprianou Avenue  
Protopapas House, 2nd floor  
PO Box 51718  
Limassol 3076, Cyprus  
T +357 25337745  
F +357 25337765  
limassol@oneworldweb.net

For more information you can contact Savvas Shiatis sshiatis@oneworldweb.net m +357 99597339  
Daria Ostapengo dostapengo@oneworldweb.net m +357 99330182

www.oneworldweb.net

**oneworld**  
GLOBAL BUSINESS SERVICES